

FROM COMPANY CAR TO MULTIMODALITY cost and energy saving

Bart Desmedt



Context

- **Several studies** in Belgium about
 - the company car
 - financial/fiscal instruments in work related mobility management (with broad consultation of employers and employees)
- **An evolution** among employers and the car leasing sector:
 - “green fleets”
 - car cost reduction
 - awareness about limitations of the company car



Context

- Several studies in Belgium
- An evolution among employers and the car leasing sector:
- Fiscal framework in Belgium:
 - Evolution to a CO2-dependent taxation of company cars instead of depending on private km
 - Interesting fiscal frameworks for (reimbursement by the employer of) public transport, bicycle and carpooling
 - Carpooling with a company car reduces/eliminates taxation on the private use of the company car

The company car - definition

A car owned or rented by an employer and made available to a specific employee (as if it was his own car)

- On an unlimited basis OR with certain limits
- Free of charge or OR with contribution from the employee

→ not included: cars registered to independent managers, one-man companies...

E.g. Belgium:

- *Total car park about 5 mill.*
- *More than 1 mill. (23%) registered to a company*
- *Only 250 000 (5%) fitting the above definition*

The company car, interesting for the employee



A revenue in kind that is not taxed according to the whole value

- especially when there are no limits on the use or contributions by the employee
- *E.g. Belgium: taxation on the basis of only 5000 or 7500 private kms/year (depending on home-work distance)*

The company car, interesting for the employer

An attractive way to raise the salary of crucial employees

- **Fiscally interesting**: limited social charges unlike other types of salary
- **Easy administration**: one invoice, predictable cost
- **Efficient**:
the employees' mobility is guaranteed continuously:
business -- home-work -- leisure trips

E.g. Belgium:

a company car costing 10 000 €/year for the employer has a value of 7 500 € for the employee.

>< The same amount of 10 000 € in normal salary would only have a value of 3 500 € for the employee!

The company car, a problem for sustainable mobility?

Observations:

- The company car often replaces the private car
 - Employees receiving a company car are financially strong and don't feel the rising cost of a private car like others
 - In many cases, the company car is only a kind a salary, with no functional use for business
 - → you don't even need it to drive to work
 - → the company car often generates less extra mileage than the use of the private car for business trips
- There is no linear correlation between the increase of number of company cars and the increase of car use in general

The company car, a problem for sustainable mobility?

Basically, the company car is a system to acquire (to pay for) a car

The proper question to ask is: when does it become a problem?

- If you are **forced by your employer to use it** (for home-work and/or business trips) while alternatives exist
 - *e.g. several companies in the centre of Brussels offer company cars to 30% and more of their staff. More and more are tired of traffic jams and prefer to leave the vehicle at home*
- If it **comes on top of** (one or more) **other frequently used cars** in the family
 - *e.g. a the arrival of a company car in a family could free an existing car for use by a student in the family*
- If you have **unlimited use of it** (especially: petrol card) for leisure trips
 - *e.g. a week-end to Paris with the family would be easier by high speed train, but if you have unlimited free car km ... why pay 4 train tickets?*

Stimulating a more sustainable use of the company car

Existing possibilities for employers in Belgium:

- combine a company car with a free home-work public transport subscription + free parking at a station near the employees' home

OR a tax free home-work cycle allowance of 0,15€/km

→take the home work trip out of the use of the company car

→reduction of (company) car mileage

→reduction of parking cost

Example: company car + multimodality home-work

Employee living at 50 km from work

- Company car (35 000 km/year) used for home-work trip (22 000 km/year):
leasing/fuel/Belgian CO₂tax = 11 580 € + P-spot 1 000 €
= 12 580 € /year (*taxed*)

- Company car (13 000 km/year) not used for home-work trip
leasing/fuel/Belgian CO₂tax
= 9 150 € /year (*taxed*)

→ Gain = 3 430 € /year

Could be spent as follows:

Train subscription 50 km = 1 258 € (*tax free*)

+ subscription regional transport = 151 € (*tax free*)

+ pre-transport/parking 160 € (*tax free*)

= 1 569 € (*tax free*)



+

E.g. Alcatel-Lucent Antwerp



- Moved in 2006 from a more excentric location in Antwerp to a building near the Central Railway Station, with far less parking space
- Stimulated personnel, even owners of company cars, to use public transport, by reimbursing the complete trip (free of taxation)
- Result: car use - 25%, public transport + 29%

Stimulating a more sustainable use of the company car

- Existing possibilities for employers in Belgium:
 - switch to **low emission cars** and use the financial gains for **other employee benefits**
OR free **public transport subscription** + free parking at a station near the employees' home
OR a home-work **cycle allowance** of 0,15€/km
 - reduction of (company) car emissions and cost
 - possibility for giving other benefits
 - (not necessarily) take the home-work trip out of the use of the company car and reduction of parking cost

Example: greener company car (+ multimodality home-work)

- Employee living at 50 km from work
 - Company car (35 000 km/year) used for home-work trip (22 000 km/year):
leasing/fuel/Belgian CO₂tax = 11580 € + P-spot 1000 €
= 12 580 € /year (*taxed*)
 - Low emission company car (35 000 km/year) used for home-work trip
leasing/fuel/Belgian CO₂tax = 8745 € + P-spot 1000 €
= 9 745 € / year (*reduced taxation*)
- Gain = 2 835 € /year
Could be spent as follows:
Train subscription 50 km = 1258 € (*tax free*)
+ subscription regional transport = 151 € (*tax free*)
+ pre-transport/parking 160 € (*tax free*)
= 1569 € (*tax free*)



+

PWC, Belgium

- Decided to switch to low emission company cars and extend them to all employees (also new staff)
 - new consultants automatically start their career with a low emission car
 - a strong element of HR policy
 - possibility for extra compensations



Stimulating a more sustainable use of the company car

- Existing possibilities for employers in Belgium:
 - Provide alternatives for business trips: public transport tickets, car sharing or pool cars, service bicycle
 - take the business trip (and consequently the home work trip?) out of the use of the company car
 - 100% fiscal deduction and lower cost
 - reduction of company car mileage
 - (if home-work trip avoided) reduction of parking cost

Example: replacing business trips

- Employee doing 3500 km business trips by company car
= cost of **1300 €**/year (*taxed*)



- Compare with:
 - 30 two way train rides = **414 €** /year (*tax free*)
 - Subscription regional transport = **217 €**/year (*tax free*)
 - Leasing company bike = **300 €**/year (*tax free*)
 - 8 taxi rides at 50 € = **400 €**/year (*taxed*)
- = cost of **1331 €**/year (*mostly tax free*)



Stimulating a more sustainable use of the company car

■ Proposals for a better fiscal framework

– Observation:

free company car miles in leisure time generate no extra taxation

>< leisure trips using green modes = benefit in kind

– Solution:

make it attractive for the employer to offer free alternative transport for leisure

→ replace (parts of) the (company) car by sustainable alternatives

= The “mobility budget”

Mobility budget: replace the company car by other mobility benefits

- Home-work trips:
 - *already possible-see above*
- Only business trips:
 - reward employees that use more sustainable (and cheaper!) modes for business trips by giving them free rides in leisure time
- Only leisure trips:
 - replace company car miles by free rides in leisure time
- Replace the whole company car by a package of alternatives

Mobility budget: proposed fiscal framework

- Taxation of free leisure trips with public transport, bicycle or car sharing: according to taxation of the company car, but with a lower taxation coefficient (linked to the emission standard of the alternative)
- *E.g. Belgium - employee living at less than 25 km from work*
 - *Company car (10 hp), benefit in kind : 1500 €/year*
 - *Set of alternatives, usable for leisure, with a total cash value of 7000 €*
 - 3000 € "family package" public transport
 - 900 € international train
 - 600 € Cambio carsharing
 - 800 € taxi
 - 1450 € rental car



Existing regulation: almost completely subject to taxation

In the proposed system the benefit in kind would only be 1000 €/year

Mobility budget: organisational requirements

- One monthly invoice for the employer with:
 - the spending of the mobility budget
 - fiscal treatment of the different options taken
 - unspent budget



The screenshot shows the Athlon Car Lease website interface. At the top right is the Athlon Car Lease logo. Below it are navigation tabs: 'Mon véhicule en leasing', 'Actualité', and 'International'. A dark blue navigation bar contains 'Rental Services', 'EcoCoach', and 'Railease'. A dropdown menu is open under 'Railease', listing options: 'Description', 'Prix', 'Avantage conducteur', 'Athlon offre', and 'Impact sur l'environnement'. To the right of the dropdown is a section titled 'Simplification administrative' with three bullet points.

<ul style="list-style-type: none">▶ Description▶ Prix▶ Avantage conducteur▶ Athlon offre▶ Impact sur l'environnement	<p><i>Simplification administrative</i></p> <ul style="list-style-type: none">• Railease est intégré au contrat de leasing.• Athlon Car Lease Belgium prend en charge la totalité de la gestion administrative de Railease.• Point de contact unique
---	--

Mobility budget: organisational requirements

- One monthly invoice for the employer
- Integrated payment systems for the employee
- “Seamless journeys”
- A good transport information service for employees that benefit from the system

